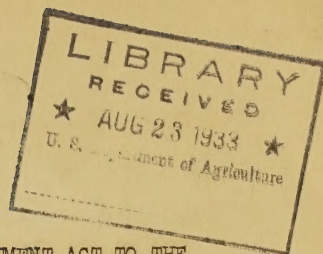


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THE APPLICATION OF THE AGRICULTURAL ADJUSTMENT ACT TO THE
COTTON COOPERATIVE.

Address by Cully A. Cobb, Chief of Cotton Production Section, Agricultural Adjustment Administration, Delivered at American Institute of Cooperation, Raleigh, N. C., Tuesday, July 25, 4:00 P.M.

First, I wish to express my very sincere appreciation for being asked to take part in the program of this, the ninth annual session of the American Institute of Cooperation. I wish also to take this opportunity to thank the leaders of the cooperatives throughout the South and the members of the associations for the whole-hearted and very able assistance they have rendered in putting over the cotton reduction program, which is now coming to a very successful close. With reference to this program, Secretary Wallace issued this statement a few days ago:

Statement by Secretary Wallace

It has been my privilege and responsibility to help devise ways and means of restoring the price of farm commodities. The program applying to cotton was launched in the belief that farmers of the Cotton Belt would accept it as offering a definite opportunity to materially improve their positions. The result following the presentation of the plan to the growers is an overwhelming affirmative answer -- an answer that is of the - - - - -

deepest gratification. The action of the cotton farmer lays a foundation of confidence under the entire Agricultural Adjustment program. To every farmer and to all others who have participated in this campaign, I wish to express my sincerest appreciation for their fine contribution to our program of agricultural recovery.

Throughout the campaign the White House has been kept in a day-to-day contact with progress and development. Out of a sense of deep appreciation for the successful performance of an almost superhuman task, President Roosevelt on July 17, over his signature, sent the following message to the farmers and their leaders:

"Cotton Growers of America: The wholehearted response of the cotton growers to the first test of the Administration's program for agriculture is not only deeply gratifying but is also evidence of an intelligent determination on the part of farmers to take the necessary steps to improve the price and buying power of their products. I wish to offer the forces who are putting the cotton program into effect, my heartiest congratulations upon the initial success achieved and at the same time to urge the farmers that nothing be left undone to make the program completely successful.--Franklin D. Roosevelt, President."

Certainly a finer spirit has never been shown in the case of any enterprise ^{has} been shown by everyone from Washington to the humblest farm home than ^{our} in the case of efforts to bring about a better adjustment between cotton supply and demand, and through this means to lay the foundations for better prices now and for a sustained higher level of prices over a long period of time.

From the very beginning the campaign has been a race against time, calling for the utmost speed at every point. At no point has there been a breakdown, which to

is an achievement of the highest order and is the highest tribute that can be paid to the ability of the workers in the field. I have marveled at both the energy and patience shown. Such a spirit as that shown throughout the campaign can only be accounted for because it was a battle for our economic lives. The extension forces have, of course, borne the brunt of the campaign and to them must go the larger share of the credit for success, but they, as we in Washington, appreciate the assistance they have had from your group, and I am simply taking the opportunity to say for them what they would say for themselves if they were here speaking to you as I am.

Now, as to the question of the application of the Agricultural Adjustment Act to the cotton cooperative.

Stability in economic fundamentals is a first requisite to the successful conduct of business. A chief difficulty of the cooperatives has been the utter lack of stability in conditions and in prices. This lack of stability has been due chiefly to two causes. A first cause has been the chaotic economic conditions throughout the world and particularly here in our own country following the general breakdown of business in the fall of 1929, which culminated in the collapse of March 3, the day that will go down in history as the day when all the banks of the nation were closed and when nothing but money itself had value. In passing, the record as I have it will show that the cooperatives have stood the test of these trying times as well as the general run of business enterprises, or better.

The second cause for lack of stability relates to the cotton industry itself. For years surplus bales of cotton have piled higher and higher with each succeeding crop, finally resulting in a supply approximately equivalent to a 2 years' demand.

It is undoubtedly true that the law of supply and demand is still in effect and, when supply greatly outweighs demand, supply suffers the consequences, which, in terms of cotton prices in recent years, have meant utterly inadequate returns to the grower. It is difficult, if not impossible, to make a satisfactory business showing in the presence of continuously declining prices, even though a cooperative may do an outstanding piece of work viewed in the light of current conditions. The records of bankruptcy generally during recent years would indicate that it is difficult for any enterprise to make a satisfactory showing on the balance sheet under the conditions that have prevailed.

What the cooperatives as well as business generally need is stability both in industry and in production.

Inasmuch as the cotton industry is a world industry, both from the standpoint of production and distribution, business stability throughout the world is a fundamental necessity to greatest success in merchandising the raw product; and, inasmuch as the law of supply and demand is still in force, a balance between supply and demand must be achieved as a part of the foundation for better prices.

It is the first aim of the Agricultural Adjustment Administration in the application of the Agricultural Adjustment Act to cotton to attack one of the principal sources of our difficulty--the problem of excessive supplies. The campaign of the present year has been directed to that end. It is our conviction that when we eventually have pulled down our supplies to a reasonable level we will have laid the foundation for stability in prices and that, with that end achieved, the Agricultural Adjustment Act will have made its greatest possible contribution to the success of the cooperatives.

With conditions as they have been in the past, with an utterly unstable market, you of the cooperatives have been unable to plan with any assurance that your plans would not have to be almost immediately altered in order to meet continuously changing conditions and emergencies incident thereto. Not being able to plan with assurance, you have not been able to plan wisely--a fact which has multiplied your difficulties to a point making it almost impossible to function at all. Certainly it has been impossible to function with satisfaction either to yourselves or anybody else, but with a stabilized supply and demand position and with the experience that you have gained you undoubtedly should be able in the years ahead to function with the greatest possible economy and efficiency. This should be the case from the field to the factory. Functioning efficiently, the cooperatives can profoundly influence the adoption of better methods of production, better methods of preparation of the crop for the market, and better methods on to the final consumer. If the foregoing is sound reasoning, and I believe it is, the cooperatives have as much as or more to gain from the application of the Agricultural Adjustment Act than any other enterprise among us. I am confident that it has been reasoning paralleling the foregoing that has led the cooperatives so whole-heartedly to cooperate in the work that has gone on throughout the cotton belt during the past few weeks--a campaign which, in my judgment, has exhibited a very high order of intelligent self-interest. May I state in passing that if we are successful, as we apparently are going to be, in achieving the goal sought in the campaign of the year, the whole nation as well as the cotton grower will have been most ably served.

As to the rating of the cotton cooperatives by the Agricultural Adjustment Administration, your offer to handle the more than a million bales of spot cotton optioned to farmers was given exactly the same consideration accorded the offers of others. Your offer was accepted, a fact that must be most gratifying to you. Certainly it is a fact of very great significance. It is the highest form of endorsement.

Now as to the future.

The task that immediately faces us, following the campaign that is now coming to a close, is that of devising a long-time production program that will, as far as it is humanly possible to do it, guarantee that sort of stability that comes from balancing our supply of cotton against the world demand for it. This is going to call for the highest possible degree of intelligent planning and intelligent co-operation on the part of our entire leadership as well as the 2,000,000 producers of raw cotton. The campaign of these recent weeks will undoubtedly have served as a most highly educational move. I believe we have a better grasp of the fundamental causes that affect cotton price now than ever before. Whatever this understanding on the part of the 25,000 to 30,000 workers who have been in the field, we undoubtedly have the foundation for united thinking and united effort. It is to crystallize this into some definite plan that now needs most to be done. The Administration at Washington will, therefore, appreciate any contribution you and your leaders may make to the devising of a plan and a program designed to meet the situation with which we are to be confronted in the years ahead. We are by no means out of the woods. On August 1 we will have a very large and burdensome carry-over of cotton, almost enough to supply the world demand for a year. When the crop of 1933 is added to that, our supply will still be excessive and far out of balance with demand. - - - - -

It is imperative, therefore, that we use every possible means through the adjustment of production and increased consumption, where possible, to go on with our program so as to place the farmer from year to year in that freer and more favorable position where there will be an active and favorable demand for the products of his toil. My own feeling is that we can not put off action of the character here suggested to some better day. We must proceed now, if we are to make the most of the work of the present year and if we are to successfully anticipate unfavorable development in the future.

In conclusion, may I again express to you ~~my~~ sincere appreciation for the courtesy extended the Administration in asking me to take part in your program?

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